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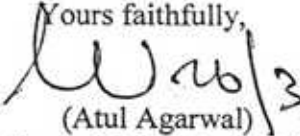
OFFICE ORDER

The Revised Policy for Procurement of Spare Parts for HEMM has been approved by CIL Board in its 279th meeting held on 12th & 13th March, 2012 and the same is being annexed.

CIL Board, while approving the above said Revised Policy for Procurement of Spare Parts for HEMM, has directed that this be included in Purchase Manual. Accordingly, in terms of the approval of CIL Board, the Revised Policy is to be considered as included in CIL Purchase Manual.

The above said revised policy is for strict implementation in CIL and its subsidiaries.

Encl.: Revised Policy in Annexure -I

Yours faithfully,

(Atul Agarwal)
General Manager (MM)

- CC to: 1. CMD, ECL/BCCL/CCL/CMPDIL/WCL/SECL/MCL/NCL.
2. Director (F), CIL.
3. Director (Tech.), CIL.
4. CVO, CIL.
5. TS to Chairman, CIL.
6. GM (EED) / GM (F) I/C, CIL.
7. GM (MM), ECL/BCCL/CCL/WCL/SECL/MCL/NCL.
8. HOD (MM), CMPDIL, Ranchi.
9. CGM (F)/GM (F), ECL/BCCL/CCL/CMPDIL/WCL/SECL/MCL/NCL.
10. CGM /MM, NEC.
11. All Executives of MM Division, CIL

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REVISED POLICY FOR PROCUREMENT OF SPARE PARTS FOR HEMM

1. Henceforth, procurement of spare parts for HEMM shall be made only from OEM and OES (The definitions of the terms OEM and OES have been given at para 2 below), except for the following specific cases, where procurement can be made from other sources, as detailed below:

i) Procurement of spare parts against Depot Agreements:

In case of Depot Agreements for supply of spare parts for HEMM, such Depot Agreements may be concluded generally as per provisions of Model Depot Agreement, with the OEMs or their authorized Distributors/Agents/Dealers, in case OEMs are not ready to enter into depot agreements directly.

Bought-out Items are to be excluded from the Depot Agreements as far as possible.

However since Subsidiary Companies are already authorized to finalize the Depot Agreement according to their specific needs, they may continue to do so and no specific approval from CIL will be required for the same.

ii) Procurement from OPMs:

The definition of the term OPM has been given at para 2 below:

Procurement of the following items may be made from the OPMs:

Assemblies/Sub-assemblies/Components and their spares/items like Engines, Transmissions, Transmission Pump, Suspensions, Air Conditioning Spares, AC/DC Motors and Generators, Wheel Motors, Auto Electrical items, Universal Joint Assemblies, Drive lines, Hydraulic Pumps, Hydraulic Motors, Hydraulic Cylinders, Brake Parts, Brake Systems, Feed & Propel Chains, Auto Lubrication System, Auto Fire Detection & Suppression System, Tyre Inflation Parts, Instruments, Gauges.

The OPM is to be identified by each subsidiary company by constituting a committee headed by Director (Technical) of the subsidiary company. The Committee will determine status of a manufacturer as OPM on fulfilling any one of the following criteria:-

- 1) On submission of the following documents by OPM:-
 - a) Self-certificate, duly notarized, of being manufacturer of the Assemblies/Sub-assemblies/Components.
 - b) Copies of Purchase Orders in support of proof of having supplied to OEM or notarized copy of Trade Agreement of the OEM with OPM, for the above items.

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In case OPM is not in a position to submit the Purchase Order copy of OEM or Trade Agreement with OEM due to confidentiality law of a particular country, a copy of such law should be enclosed by the OPM for claiming the status as OPM alongwith a certificate to the effect that they are OPM and have supplied / have been supplying the items to OEM (indicating name of the OEM).

Provenness credibility of the OPM will also be assessed based on the following criteria:-

“Assemblies/ sub-assemblies / components and their spares offered by the OPM must have been supplied in the past to CIL and its subsidiaries and performed satisfactorily for a period of not less than one year from the date of fitment / commissioning”.

If the above mentioned declaration / information / documents submitted by the OPM are subsequently found false or forged/tampered in any way, the total responsibility shall lie with the OPM and subsidiary companies shall reserve the full right to take suitable penal action as may be deemed fit including banning of business, apart from forfeiture of EMD, Security Deposit etc.

In case the performance of two consecutive supplies made by the OPM is not found satisfactory, the said OPM will not be considered for further issuance of enquiry and its name will be deleted from the list accordingly.

OR,

- 2) The manufacturer whose supplied assemblies / sub-assemblies / components to the OEM, have been declared fitted on the equipment by the OEM. In such cases, documents mentioned under 1 (b) above are not required for declaring them as OPM.

OR,

- 3) The manufacturer whose supplied assemblies / sub-assemblies / components were found fitted on the equipment at the time of physical verification by the Committee. In such cases, documents mentioned under 1 (b) above are not required for declaring them as OPM.

Once OPM has been identified, no documents related to the identification are required to be submitted by the OPM in each separate procurement case.

Periodic updation of the list of OPM, so prepared shall be carried out by physical verification by each subsidiary.

If the OPM does not supply directly to CIL as a matter of policy, they may nominate distributor/ dealer/ agent for a particular Subsidiary company and on such authorization, procurement may be made from such authorized distributor / dealer/ agent.

OEM and OES (if any) will also be included in the list for issuing Limited Tender Enquiry for the above items.

iii) Procurement from Proven Sources in the following cases only:

The definition of the term "Proven Sources" is given in para 2 below.

- a) Procurement of bought-out items of OEM like Bearings, Oil Seals, Hoses, End fittings, Brake linings, 'O' Rings, Carbon Brushes and Nipples. This list is indicative only. Subsidiary companies may identify other items as per their fleet of equipment and communicate to CIL for inclusion in the above list.
- b) Procurement of items like Tooth Points, Adopter and its fittings, Track Pads, Roller Assemblies, Undercarriage Sets, Buckets, Radiators, Oil Coolers, Cutting Edges, End Bits, Gear, Pinion, Shaft, Pulley and Pulley assembly, Drill Rods and Drill Bits plus items which are not covered under Depot Agreement.
- c) Procurement of Standard items of non-critical nature like Fasteners, Washers, Lamps, Electrical Switches and Batteries.
- d) Procurement of such spares already ordered on OEM/OES/OPM which have not been supplied by them within the stipulated delivery period of the respective orders, may be made from proven sources with a specific approval of the CMD of the respective Subsidiary Companies. This option is to be exercised by subsidiary Companies after taking decision on delivery extension as per urgency of work.
- e) Procurement of spares of such old models of equipment which are still in operation but are either not in the current manufacturing range of OEM or presently the OEM is not in business AND the OEM/OES are not ready to supply the spares, may be made from proven sources after obtaining specific approval of the CMD of the respective Subsidiary Companies.
- f) Procurement of such imported items for which equipment is under breakdown and which are not readily available with the OEM, may be made from proven sources with the approval of CMD.

iv) Procurement from Ancillary Units of Subsidiary Companies:

Procurement of those spare parts may be made from Ancillary Units of respective Subsidiary Companies which have been developed in the past by the manufacturing units and already given Ancillary status by the individual Subsidiary Companies, after following the prescribed procedures.

However, the spare parts to be supplied by the proven sources and the Ancillary Units should be monitored on regular basis both in respect of quality and delivery of the spare parts. For this purpose, the Subsidiary Companies should constitute a Committee headed by Director (Technical) of the concerned Subsidiary Companies to evolve proper methodology for doing so and to implement the same.

- v) In all cases, procurement has to be made as per laid down procedures and as per provisions of the Purchase Manual.

2. Definition of OEM/OES/OPM/Proven Sources

OEM - Means Original Equipment Manufacturer.

OES - Means authorized supplier of Original Equipment Manufacturer. Only those firms who have the current authorization and/or technical collaboration of OEM for supply of their equipment and giving technical services would be treated as OES.

The OES who may not have current authorization/collaboration of OEM, but have already developed and indigenized fully or partly the spares for the equipments supplied by them may also be considered to have OES status to such an extent of developed/indigenized spares.

OPM - Means Original Parts Manufacturer falling under the following categories:

1. The original manufacturers of assemblies, sub-assemblies or components of the original equipment.
2. The original manufacturers of spare parts/items of assemblies, sub-assemblies or components of the original equipment.

Proven Sources - Means sources who have manufactured and supplied spare parts, assemblies, sub-assemblies or components to the Subsidiary Companies in the past and found to be proven as per provenness criteria followed by Subsidiary Companies based on satisfactory performance in the field in respect of quality and reliability.

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